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ABSTRACT

THREE PAPERS REPRESENTING ADVANCE ACCOUNTS OF THE EARLY STAGES OF RESEARCH IN PROGRESS ARE DISCUSSED. "INCOME REDISTRIBUTION EFFECTS OF HIGHER EDUCATION," BY W. LEE HANSEN, DEALS WITH BROAD AND BASIC ISSUES OF PUBLIC POLICY AND FINANCING HIGHER EDUCATION. "DEMAND AND SUPPLY IN U.S. HIGHER EDUCATION: A PROGRESS REPORT," BY ROY RADNER AND L.S. MILLER, DEALS WITH CERTAIN SIGNIFICANT ASPECTS OF THE SOCIOLOGY OF HIGHER EDUCATION. "RESOURCE ALLOCATION IN HIGHER EDUCATION," BY JOSEPH A. KERSHAW AND ALEXANDER MOOD, DEALS WITH CENTRAL PROBLEMS OF MANAGING AN INSTITUTION OF HIGHER EDUCATION. THE PAPERS CONTAIN NO NEW RESULTS THAT ARE CONCLUSIVE. (AF)

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DICUSSION OF PAPERS ON THE ECONOMICS OF EDUCATION

American Economic Association and Industrial Relations Research Association

New York City, 29 December 1969

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It is merely paraphrasing the authors, not criticizing them, to point out that their papers contain no new results that are conclusive. Instead, the papers represent advance accounts of the early stages of research in progress. As such, I found them interesting, stimulating, and important.

The three papers have little in common except higher education. W. Lee Hansen of the University of Wisconsin ("Income Redistribution Effects of Higher Education") deals with broad and basic issues of public policy in financing higher education. Roy Radner of the University of California at Berkeley and L. S. Miller of the State University of New York at Stony Brook ("Demand and Supply in U. S. Higher Education: A Progress Report") deal with certain significant aspects of the sociology of higher education. Joseph A. Kershaw of the Ford Foundation and Alexander M. Mood of the University of California at Irvine ("Resource Allocation in Higher Education") deal with central problems of managing an institution of higher education.

Hansen finds in Wisconsin, as he and Burton A. Weisbrod found earlier in California, that public financing of higher education "favor/s/ by and large the upper middle and upper income groups at the expense of the lower middle and lower income groups." If this is correct -- and I see no reason to doubt it -- it is another manifestation of one of Milton Friedman's laws: that public policies purporting to help the poor generally hurt the poor but help those who are not so poor; and it puts higher education on a list that includes social security, minimum wages, labor unions, farm price supports, urban redevelopment, and innumerable other politically popular programs.

Hansen concludes his paper by asking whether "society wants to continue to produce these redistributive effects." While I am not sure what the phrase "society wants" means (indeed, I think it has no meaning) I feel confident in assuring him that public policy will continue to be essentially the same -- more because of than in spite of the redistributive effects he reports.

A difficulty in relying on the present method of public financing of higher education, in my opinion, is that less money will be forthcoming than people would be willing to supply if they had a way to provide funds specifically for higher education. State treasuries will be under increasing pressures to keep taxes down and at the same time under increasing pressures to raise spending for all sorts of good causes -- for transportation, health, welfare, pollution control, law enforcement, art, music, parks, housing, and so forth. These pressures, it seems to me, are likely to lead to retardation of the growth of public universities. They may lead also, as a measure of economy, to more grants to students for tuition at private institutions. California, Illinois, Wisconsin, and especially New York already make such grants. Each student taking advantage of them saves the state several thousand dollars -- sometimes as much as $10,000 for four years. In addition, public financing of higher education by grants to students enables students,

their families, and others to add to the grants, thereby channeling directly into higher education money that they would be reluctant to see channeled into higher taxation.

It is not clear from Hansen's paper whether he has taken account of the favorable economic effect on nongraduates that results from increasing the number of college graduates. I am thinking not of general external benefits, which he does mention, but of the effect on the return to one factor of production when its quantity is reduced relative to the quantity of another factor of production. Increasing the ratio of graduates to nongraduates tends to raise the wages of nongraduates relative to the wages of graduates, thus offsetting a part of the redistributive effect that Hansen finds. He mentions a similar effect from the higher taxes that graduates will pay because of their higher incomes. Still another effect of the same kind arises from gifts to education that are induced by tax exemptions.

The Radner-Miller paper is so preliminary that it is hard to comment on it at this stage. I find myself worried about their data on student-faculty ratios. What do they do about part-time faculty and students? In medical schools, how do they count interns and residents? Since they mention the University of Rochester specifically, I will note that half of our faculty are in the Eastman School of Music and the School of Medicine, where student-faculty ratios are abnormally high -- about 5 to 1 in Music and 1 to 1 in Medicine. Furthermore, Radner's and Miller's study of trends would be confused by places like Rochester, because growth within the period they study has been greater in Arts and Science, Education, Business, and Engineering, where student-faculty ratios are higher, than in Music and Medicine. This shifting composition adds an artificial positive component to the trend in the ratio of students to faculty.

Kershaw and Mood take an approach to university management that implies a considerable departure from the traditional view of universities that some of us still cherish. The Kershaw-Mood view will prove, I think, the right one for most institutions in the future. But in the future, with college education becoming as nearly universal as high school education is today, there should be even more diversity among institutions than in the past, when the constituencies and the purposes of all universities were more homogeneous. Thus, some universities should maintain the traditional pattern, even though they will be only a minority.

Traditionally, the university has been regarded simply as an environment in which a great many and a great variety of intellectual activities can take place. The faculty has been thought of as the real heart and substance of the university, not simply as part of its apparatus for serving clients. The faculty, furthermore, has been regarded as essentially a group of independent professional practitioners, more like the partners in a law firm or the doctors who own a private clinic than like the staff of a government bureau -- much less like the employees of a corporation.

Under such a view, I do not find it as incredible as do Kershaw and Mood that institutions of higher learning have little managerial information about themselves, that they have "great difficulty with the statement of their objectives," and more

generally that their administrators do not think and act like managers.

Under the traditional view of universities, I find it hard to regard tenure as simply "a market imperfection that clearly stands in the way of many improvements." Tenure may possibly have outlived its usefulness, but if so I think the reasons lie in other directions than those suggested by Kershaw and Mood.

The purpose of tenure, as I see it, is not to confer a privilege on the faculty. Rather, it is something needed by the Trustees in order to fulfill their trust. They need to be assured about the faculty -- as the authors of the United States Constitution felt they needed to be assured about Supreme Court Justices -- that they will speak and write the truth as they see it, influenced by no other interest than truth -- in particular, not influenced by fear of losing their jobs.

Tenure is under widespread attack today. A valid attack, it seems to me, must show that tenure is not needed to protect academic freedom. That may well be true, but if it is no one yet has made the case effectively.

To try to make the case, one might first point out that few if any so-called academic freedom cases in recent decades have involved beliefs, teachings, or writings in a professor's field of professional competence: they have not involved the functions that tenure is designed to protect. Furthermore, faculty members today have so many interests that are more powerful than mere job security that it is doubtful whether tenure does to an appreciable degree free professors from conflict of interest. Besides, tenure protects against an economic risk that is almost nonexistent in an expansionary period, when the demand for faculty is great relative to the supply. Finally, the arguments for tenure have a validity at a traditional university, where basic research and radical innovative thought are an important institutional purpose, that they do not have at Rattle Snake County Junior College, at a College of Pottery, Printing, and Photography, or at a Jesuit Theological Seminary.

Those are the directions, it seems to me, in which challenges to tenure might be raised.

Despite these remarks, there is no question in my mind that the kind of managerial approach taken by Kershaw and Mood will prove immensely valuable in innumerable ways in all of higher education -- at the Harvards as well as the Rattle Snake Colleges.

All three of these papers tackle significant problems of higher education. All indicate fruitful approaches to those problems. I look forward with high expectations to the finished studies.